

**CITY OF HARAHAN, LOUISIANA****Financial Statements and Schedules****December 31, 2006****With Independent Auditors' Report Thereon**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

7/11/07**Postlethwaite & Netterville**

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**CITY OF HARRAHAN, LOUISIANA**

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**Postlethwaite & Netterville**

A Professional Accounting Corporation  
Associated Offices in Principal Cities of the United States  
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**Independent Auditors' Report**

The Honorable Mayor and City Council  
City of Harahan, Louisiana:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harahan, Louisiana, (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for the City as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 36 through 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying financial information as listed in the Table of Contents as Supplemental Information Schedules, pages 38 through 40 is presented for purposes of additional analysis and is not a required part of the government financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the government financial statements and the combining and individual fund financial statements and schedules, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Postlethwaite & Nettville*

Metairie, Louisiana  
June 29, 2007

## **CITY OF HARAHAH**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**December 31, 2006**

As financial management of the City government, we offer readers of this financial statement an overview and analysis of the financial activities of the City of Harahan. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the government's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. It should be read in conjunction with the Letter of Transmittal and the financial statements that begin with Statement A.

#### **FINANCIAL HIGHLIGHTS**

- At December 31, 2006, unreserved fund balance for the General Fund was \$1,464,080, or 26% of total 2006 General Fund expenditures.
- Assets of the City government exceeded its liabilities at the close of the most recent fiscal year by \$2,152,641 (*net assets*).
- As of the close of the current fiscal year, the government's governmental funds reported combined ending fund balance of \$1,991,610.
- The intergovernmental revenue of \$3,645,106 as reported on the governmental fund financial statements primarily consists of FEMA reimbursements that were obligated or received 60 days subsequent to year end. The expenditures were recognized in the prior year.
- During the year ended December 31, 2006, the City borrowed an additional \$254,241 on the Community Disaster loan. At December 31, 2006, the total Community Disaster Loan funds borrowed is \$700,000.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

With the implementation of Governmental Accounting Standards Board Statement 34, a government's presentation of financial statements has been greatly changed. The new statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the City's accountability.

##### **Government-Wide Financial Statements**

The government-wide financial statements (see Statement A and B) are designed to be similar to those of private sector businesses in that all governmental and business-type activities are consolidated into columns which add to a total for the government. The statements combine all governmental funds' current financial resources with capital assets and long-term obligations. Also presented in the government-wide financial statements is a total column for the business-type activities of the government.

The Statement of Net Assets (Statement A) presents information on all the government's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities (Statement B) presents information showing how the government's net assets changed during the

## CITY OF HARAHAH

### MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

December 31, 2006

most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities which are funded by the City's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The governmental activities reflect the City's basic services including general government services (executive, legislative, judicial), public safety (fire and police), public works (sanitation and street and road maintenance), recreation, and intergovernmental.

These services are financed primarily with taxes. The business-type activities reflect private sector type operations (sewer district) where the fee for service typically covers all or most of the cost of operations, including depreciation.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Governmental Major Fund (see Statement C and E) presentation is presented on a modified accrual basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and the generally accepted accounting principle (GAAP) basis. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. The City has presented the General Fund, Sales Tax Fund, Bond Sinking Fund, and Bond Reserve Fund as major funds. All non-major governmental funds are presented in one column, titled Non-Major Fund Type. Combining financial statements of the non-major funds can be found in the Combining and Individual Fund Statements that follow the basic financial statements.

**Proprietary Funds** encompass the enterprise fund on the fund financial statements. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Proprietary fund of the City is the Sewer District fund.

Fund financial statements also allow the City to present *fiduciary funds*. While these funds represent a trust responsibility, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

**CITY OF HARAHAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**December 31, 2006**

Fund financial statements also allow the City to present *fiduciary funds*. While these funds represent a trust responsibility, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

While the activity reported on the business-type fund financial statements for enterprise funds (see Statement H) is the same as the business-type column at the government-wide financial statement, the governmental major funds total column requires a reconciliation because of the different measurement focus which is reflected on the page following each statement (see Statements D and F). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources and will show capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the Governmental Activities column in the government-wide statements.

**Capital Assets**

General capital assets include land, improvements to land, buildings, transportation equipment, other equipment, computer equipment, and furniture and fixtures and all other tangible assets that are used in operations and that have initial useful lives greater than two years and exceed the government's capitalization threshold (see Financial Statement Note 1). The City has capitalized all purchased general capital assets. Infrastructure assets (those placed into the government's maintenance through contributions from private development) have not been capitalized in this financial presentation for the years 1980 through 2002. Governmental Accounting Standards Board Statement No. 34 allows the City a transitional period for reporting infrastructure assets purchased prior to 2003 until 2007. Prior to the implementation of the new reporting model, no depreciation is charged on general capital assets.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning major fund budgetary comparisons. Required supplementary information can be found at Schedules 1 and 2.

The combining statements referred to earlier in connection with the non-major governmental and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules include Schedules 3 through 4 of the report. Certain supplementary financial information can be found in Schedule 5 of this report. This schedule is included for additional information and analysis and does not constitute a part of the audited financial statements.

**CITY OF HARAHAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**December 31, 2006**

The following table reflects the condensed Statement of Net Assets for 2006:

**City of Harahan**  
**Condensed Statement of Net Assets**  
**December 31, 2006**

	Governmental Activities	Business- Type Activities	Total
<b>Assets:</b>			
Current and Other Assets	\$ 2,847,757	\$ 48,598	\$ 2,896,355
Restricted Assets	728,186	-	728,186
Capital Assets	1,982,605	2,837,670	4,820,275
Total Assets	<u>5,558,548</u>	<u>2,886,268</u>	<u>8,444,816</u>
<b>Liabilities:</b>			
Current Liabilities	1,300,007	267,734	1,567,741
Long-Term Liabilities	4,624,434	100,000	4,724,434
Total Liabilities	<u>5,924,441</u>	<u>367,734</u>	<u>6,292,175</u>
<b>Net Assets:</b>			
Invested in Capital Assets			
Net of Debt	1,473,836	2,687,670	4,161,506
Restricted	407,159	-	407,159
Unrestricted	(2,246,888)	(169,136)	(2,416,024)
Total Net Assets	<u>\$ (365,893)</u>	<u>\$ 2,518,534</u>	<u>\$ 2,152,641</u>

For more detailed information see Statement A, the Statement of Net Assets. Approximately \$4,161,000 of the City's net assets as of December 31, 2006, reflects the government's investment in capital assets (land, buildings, infrastructure, transportation equipment, other equipment, computer equipment, and furniture and fixtures) less any related outstanding debt used to acquire those assets. The City government uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Another \$407,000 of the government's net assets is subject to external restrictions on how those assets may be used, such as sales tax approved by the electorate for specific purposes.

**CITY OF HARAHAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**December 31, 2006**

**City of Harahan**  
**Condensed Statement of Changes in Net Assets**  
**For the Year Ended December 31, 2006**

	Governmental Activities	Business- Type Activities	Total
<b>Revenues:</b>			
Program Revenue:			
Charges for Services	\$ 1,389,839	\$ 542,315	\$ 1,932,154
Operating Grants and Contributions	437,102	-	437,102
Capital Grants and Contributions	29,574	-	29,574
General Revenue:			
Ad valorem (property) taxes	818,307	158,140	976,447
Sales and use taxes	1,555,558	-	1,555,558
Other State Revenue not Restricted to Specific Program	440,540	-	440,540
Fines, forfeitures, and other	744,911	-	744,911
Interest income	137,951	3,573	141,524
Gain from insurance proceeds	195,787	-	195,787
Other	258,459	-	258,459
Total Revenues	<u>6,008,028</u>	<u>704,028</u>	<u>6,712,056</u>
<b>Expenses:</b>			
General Government - FEMA	449,989	-	449,989
General Government - other	812,951	-	812,951
Public Safety	2,270,091	-	2,270,091
Public Works	185,211	-	185,211
Sewer	-	414,430	414,430
Sanitation	644,331	-	644,331
Recreation	213,453	-	213,453
Interest and Fiscal Charges	345,347	-	345,347
Depreciation	257,395	118,257	375,652
Amortization	123,490	-	123,490
Total Expenses	<u>5,302,258</u>	<u>532,687</u>	<u>5,834,945</u>
Decrease in Net Assets	<u>705,770</u>	<u>171,341</u>	<u>877,111</u>
Net Assets, January 1	<u>(1,071,663)</u>	<u>2,347,193</u>	<u>1,275,530</u>
Net Assets, December 31	<u>\$ (365,893)</u>	<u>\$ 2,518,534</u>	<u>\$ 2,152,641</u>

**CITY OF HARAHAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**December 31, 2006**

The government's net assets increased \$877,111 during the current year. *Governmental Activities* net assets increased \$705,770 in 2006, primarily due to:

- (1) Expenditures related to the Federal Emergency Management Agency Public Assistance Grant exceeded revenues recorded for the grant by \$102,000 caused by unobligated grants.
- (2) A decrease of \$100,000 in bonds payable caused by the principal payment during the year. A decrease of \$312,951 in capital lease liability caused by principal payments during the year was offset by capital lease additions of \$484,054.
- (3) Additional revenue resulting from a gain from insurance proceeds of \$195,787.

*Business Type Activities'* net assets increased \$171,341 in 2006. Charges for services were \$542,315 and property tax revenue was \$158,140. Sewer and sewer related expenses totaled \$532,687 in 2006.

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds:* The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the government's governmental funds reported combined ending fund balances of \$1,991,610, an increase of \$3,667,718 in comparison with the prior year. Certain balances in the fund balance are *reserved* to indicate that it is not available for new spending because it has already been committed to: (1) designated for capital projects (\$20,175), (2) payment of debt service (\$407,159), or (3) prepaid insurance (\$95,774).

The General Fund is the chief operating fund of the City of Harahan. At the end of the current fiscal year, fund balance of the General Fund was 1,559,854, which included an unreserved and undesignated balance of \$1,464,080 and \$95,774 reserved for prepaid insurance. The fund balance of the General Fund at the end of 2005 was \$(2,069,223).

The fund balance of the Sales Tax Fund increased from \$2,324 to \$4,422. The increase was a result of the interest income earned during 2006. Sales tax receipts of \$1,558,960 received during 2006 were transferred to the General fund (\$950,077) and the Bond Sinking fund (\$608,883).

The fund balance of the Bond Sinking fund increased from \$55,673 to \$82,733. The Bond Sinking fund increased \$27,060 resulting from sales tax revenue being more than the transfers to the General fund and principal and interest payments.

**CITY OF HARRAHAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**December 31, 2006**

The fund balance of the Bond Reserve fund increased from \$309,012 to \$324,426. The Bond Reserve fund increased \$15,414 resulting from interest income.

*Proprietary Funds:* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Sewer Fund (Enterprise Fund) at December 31, 2006 totaled \$2,518,534. The Funds had unrestricted net assets of (\$169,136) and net assets of \$2,687,670 invested in capital assets, net of related debt. The fund received revenue from charges for services of \$542,315 and property tax revenues of \$158,140. General operating expenditures of the fund was \$414,430 and depreciation totaled \$118,257.

**General Fund Budgetary Highlights**

The City approved the final budget revision in November 2006. Budgeted revenues for 2006 of \$6,621,768 were more than the prior year budgeted revenues of \$4,437,700 due to budget amounts in the current year for reimbursements from FEMA as reported in intergovernmental revenue. Budgeted expenditures for 2006 of \$5,308,976 were less than the prior year budgeted expenditures of \$8,777,108 due to debris removal and Katrina related expenditures which were budgeted for in the prior year. Material differences between actual results and final amended budgeted amounts are as follows:

- Intergovernmental revenue of \$3,613,244 includes grant revenue received from FEMA primarily for expenditures incurred in 2005. These grant revenues were not included in the budget.
- Fines and forfeitures revenue of \$744,911 is greater than the budget amount of \$486,000 due to court fines and appearance bond fees.
- Other income of \$253,443 is greater than the budget amount of \$110,424 due to \$130,000 of amounts accrued in the prior years relating to litigation that was resolved during 2006 with no amounts due by the City.
- Capital outlay expenditures, including new capital leases and street repairs, exceeded the budgeted amounts because they are not included in the budgeted amounts.
- The Sales tax fund revenues are greater than budget due to the sales tax budget does not include an amount for the tax revenues dedicated to the Bond Sinking fund.

**CITY OF HARAHAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**December 31, 2006**

**Capital Asset and Debt Administration**

**Capital Assets:** The City of Harahan Government's investment in capital assets for its governmental and business type activities as of December 31, 2006, amounts to \$4,820,275 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, transportation equipment, computer equipment, other equipment, and furniture and fixtures. The total increase in the City's investment in capital assets for the current fiscal year was \$963,351, a 24% increase for governmental activities. For business-type activities, capital assets decreased \$66,332 or 2%.

**Capital Assets (Net of Depreciation)**  
**December 31, 2006**

	Governmental Activities	Business- Type Activities	Total
Land, land improvement, and buildings	\$ 1,801,394	\$ 13,727	\$ 1,815,121
Infrastructure	224,471	-	224,471
Sewer treatment plant and system	-	5,049,974	5,049,974
Transportation equipment	1,798,563	26,230	1,824,793
Other equipment	1,060,003	-	1,060,003
Furniture and fixtures	32,582	-	32,582
Computer equipment	120,213	-	120,213
	<u>5,037,226</u>	<u>5,089,931</u>	<u>10,127,157</u>
Less: Accumulated Depreciation	<u>(3,054,621)</u>	<u>(2,252,261)</u>	<u>(5,306,882)</u>
	<u>\$ 1,982,605</u>	<u>\$ 2,837,670</u>	<u>\$ 4,820,275</u>

Major capital asset events during the current fiscal year included the following:

- Purchase of four police department motorcycles for \$44,000
- Purchase of three police department vehicles for \$59,391
- Capital lease for three fire vehicles, fire rescue truck, and fire equipment for \$210,652.
- Repairs and improvements to Recreation facilities for \$135,104.
- Infrastructure and street work totaling \$224,471.

Additional information on the City's capital assets can be found in Note 6 of this report.

## **CITY OF HARAHAH**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**December 31, 2006**

**Long-Term Debt:** At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,420,000. The debt represents bonds secured by specified revenue sources such as the general sales tax. The City has drawn down \$254,241 of funds available through the Federal Emergency Management Agency Special Community Disaster Loan during 2006. The amount due on the Special Community Disaster Loan is \$700,000 and \$445,759 at December 31, 2006 and 2005. Additional information on debt administration can be found in Note 7 of this report.

#### **Economic Factors and Next Year's Budget and Rates**

The City generally receives approximately 30% of its revenues from sales tax levied by the City and 15% from ad valorem taxes; therefore, economic indicators are very important in forming the budget estimates for the City funds. Revenue assumptions are reviewed by the City Council and the Mayor. The uncertainties of the national, state and local economy requires prudent budgeting by the City's elected officials. The City continues to apply for federal and state grants in order to improve the quality of life for the people of the City.

#### **Requests For Information**

This financial report is designed to provide a general overview of the finances of the City of Harahan, Louisiana, for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Mayor 6437 Jefferson Highway, Harahan, Louisiana, 70123.

## Statement A

## CITY OF HARAHAH

## Statement of Net Assets

December 31, 2006

	Governmental Activities	Business Type Activities	Total
<b>Assets:</b>			
Cash	\$ 1,812,195	\$ 4,573	\$ 1,816,768
Receivables	804,138	44,025	848,163
Prepays and other assets	103,789	-	103,789
Deferred finance fees	74,316	-	74,316
Restricted assets:			
Cash	728,186	-	728,186
Capital assets, net of depreciation:	1,982,605	2,837,670	4,820,275
Other	53,319	-	53,319
<b>Total assets</b>	<b>\$ 5,558,548</b>	<b>\$ 2,886,268</b>	<b>\$ 8,444,816</b>
<b>Liabilities:</b>			
Accounts, salaries and other payables	\$ 448,647	\$ 77,734	\$ 526,381
Due to other funds	(140,000)	140,000	-
Deferred revenues	683,815	-	683,815
Other liabilities	25,000	-	25,000
Interest payable	48,883	-	48,883
Long term liabilities			
Due within one year	233,662	50,000	283,662
Due after one year	4,624,434	100,000	4,724,434
<b>Total liabilities</b>	<b>\$ 5,924,441</b>	<b>\$ 367,734</b>	<b>\$ 6,292,175</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 1,473,836	\$ 2,687,670	\$ 4,161,506
Restricted for debt service	407,159	-	407,159
Unrestricted	(2,246,888)	(169,136)	(2,416,024)
<b>Total net assets</b>	<b>\$ (365,893)</b>	<b>\$ 2,518,534</b>	<b>\$ 2,152,641</b>

See accompanying notes to financial statements.

## CITY OF HARAHAN

## Statement of Activities

For the year ended December 31, 2006

Functions/Programs			Operating Grants and Contrib- utions	Capital Grants and Contrib- utions	Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services			Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government - FEMA	\$ 449,989	\$ -	\$ 348,512	\$ -	\$ (101,477)	\$ -	\$ (101,477)
General government - other	812,951	790,670	-	-	(22,281)	-	(22,281)
Public safety - police	1,508,352	-	44,478	29,574	(1,434,300)	-	(1,434,300)
Public safety - fire	761,739	58,524	44,112	-	(659,103)	-	(659,103)
Public works	185,211	-	-	-	(185,211)	-	(185,211)
Sanitation	644,331	540,645	-	-	(103,686)	-	(103,686)
Recreation	213,453	-	-	-	(213,453)	-	(213,453)
Interest and fiscal charges	345,347	-	-	-	(345,347)	-	(345,347)
Property loss due to hurricane	-	-	-	-	-	-	-
Depreciation	257,395	-	-	-	(257,395)	-	(257,395)
Amortization	123,490	-	-	-	(123,490)	-	(123,490)
<b>Total governmental activities</b>	<b>5,302,258</b>	<b>1,389,839</b>	<b>437,102</b>	<b>29,574</b>	<b>(3,445,743)</b>	<b>-</b>	<b>(3,445,743)</b>
<b>Business-Type Activities:</b>							
Sewer	532,687	542,315	-	-	-	9,628	9,628
<b>Total governmental activities</b>	<b>\$ 5,834,945</b>	<b>\$ 1,932,154</b>	<b>\$ 437,102</b>	<b>\$ 29,574</b>	<b>\$ (3,445,743)</b>	<b>\$ 9,628</b>	<b>\$ (3,436,115)</b>
<b>General revenues</b>							
Taxes:							
Ad valorem (property) taxes					818,307	158,140	976,447
Sales and use taxes					1,555,558	-	1,555,558
Other funding sources, including grants:							
Fines, forfeitures and other					744,911	-	744,911
Other state revenue not restricted to specific programs					440,540	-	440,540
Interest and investment earnings					137,951	3,573	141,524
Gain from insurance proceeds					195,787	-	195,787
Miscellaneous					258,459	-	258,459
<b>Total general revenues</b>					<b>4,151,513</b>	<b>161,713</b>	<b>4,313,226</b>
Changes in net assets					705,770	171,341	877,111
Net assets, beginning of year					(1,071,663)	2,347,193	1,275,530
Net assets, end of year					<b>\$ (365,893)</b>	<b>\$ 2,518,534</b>	<b>\$ 2,152,641</b>

See accompanying notes to financial statements.

## CITY OF HARRAHAN

## Governmental Funds - Balance Sheet

December 31, 2006

	Major Fund Types					Non-Major Fund Type	Total
	General	Sales tax Fund	Bond Sinking	Sales Tax Bond Reserve			
<b>ASSETS</b>							
Cash	\$ 1,616,088	\$ 4,422	\$ 411,202	\$ 316,984	\$ 191,685	\$	\$ 2,540,381
Receivables	554,958	71,829	46,530	-	-	-	673,317
Due from other funds	758,911	-	-	-	-	-	758,911
Prepaid insurance	95,774	-	-	8,015	-	-	103,789
Total assets	\$ 3,025,731	\$ 76,251	\$ 457,732	\$ 324,999	\$ 191,685	\$	\$ 4,076,398
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 445,446	-	-	-	-	-	\$ 445,446
Accrued salaries	3,201	-	-	-	-	-	3,201
Accrued expenses	25,000	-	-	-	-	-	25,000
Deferred revenue	992,230	-	-	-	-	-	992,230
Due to other funds	-	71,829	374,999	573	171,510	-	618,911
Total liabilities	1,465,877	71,829	374,999	573	171,510	-	2,084,788
<b>FUND BALANCES</b>							
Reserved for prepaid insurance	95,774	-	-	-	-	-	95,774
Reserved for debt service	-	-	82,733	324,426	-	-	407,159
Unreserved and designated for capital	-	-	-	-	20,175	-	20,175
Unreserved and undesignated	1,464,080	4,422	-	-	-	-	1,468,502
Total fund balances	1,559,854	4,422	82,733	324,426	20,175	-	1,991,610
Total liabilities and fund balances	\$ 3,025,731	\$ 76,251	\$ 457,732	\$ 324,999	\$ 191,685	\$	\$ 4,076,398

See accompanying notes to financial statements.

## CITY OF HARAHAN

## Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Assets

December 31, 2006

Total fund balances – governmental funds	\$	1,991,610
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The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Parish as a whole. The cost of those assets is allocated over their estimated useful lives (as depreciation expense) to the various programs and reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$	5,037,226	
Accumulated depreciation		<u>(3,054,621)</u>	1,982,605

The cost of bond issuance is reported as an expenditure in governmental funds, but is included as governmental activities in the government wide financial statement.

Bond issuance costs - 1999 and 2006 bond issues	178,035	
Accumulated amortization of bond issuance costs	<u>(103,719)</u>	74,316

Change in revenue accruals – Under modified accrual basis of accounting, revenues are not recognized unless they are deemed “available” to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in revenues.

<u>439,236</u>	439,236
<u>(48,883)</u>	(48,883)

Accrual basis recognition of interest expenditures

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All Liabilities – both current and long-term – are reported in the Statement of Net Assets.

Balances at December 31, 2006 are:

Bonds payable	(3,420,000)	
Bond discount - 1999 and 2006 bond issues	93,685	
Accumulated amortization of bond discount	(40,366)	
Special Community Disaster Loan payable	(700,000)	
Capital lease payable	(508,769)	
Compensated absences	<u>(229,327)</u>	(4,804,777)

Net assets – governmental activities	\$	<u>(365,893)</u>
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See accompanying notes to financial statements.

## CITY OF HARAHAN

## Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types

For the year ended December 31, 2006

	General	Major Fund Types				Sales Tax Bond Reserve	Non-Major Fund Type	Total
		Sales tax Fund	Sales Tax Bond Sinking	Sales Tax				
<b>REVENUES</b>								
Taxes								
Ad valorem	\$ 818,307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 818,307
Sales and Use	-	1,558,738	-	-	-	-	-	1,558,738
Intergovernmental	3,645,106	-	-	-	-	-	-	3,645,106
Fees, licenses and permits	790,670	-	-	-	-	-	-	790,670
Fines and forfeitures	744,911	-	-	-	-	-	-	744,911
Charges for services	599,169	-	-	-	-	-	-	599,169
Earning revenue	221,790	-	-	-	-	-	-	221,790
Interest income	91,367	2,320	15,063	15,414	-	11,787	-	137,931
Other	253,443	-	-	-	-	-	-	253,443
<b>Total revenues</b>	<b>2,186,763</b>	<b>1,561,058</b>	<b>15,063</b>	<b>15,414</b>	<b>-</b>	<b>11,787</b>	<b>-</b>	<b>8,770,085</b>
<b>EXPENDITURES</b>								
General government - FEMA	449,989	-	-	-	-	-	-	449,989
General government - other	835,272	-	-	-	-	-	-	835,272
Public safety - police	1,514,401	-	-	-	-	-	-	1,514,401
Public safety - fire	812,002	-	-	-	-	-	-	812,002
Public works	192,109	-	-	-	-	-	-	192,109
Sanitation	644,331	-	-	-	-	-	-	644,331
Recreation	209,154	-	-	-	-	-	-	209,154
Debt service	-	-	100,000	-	-	-	-	100,000
Redemption of bonds	-	-	171,886	-	-	-	-	171,886
Interest and fiscal charges	-	-	-	-	-	-	-	-
Capital outlay	651,718	-	-	-	-	-	317,779	969,497
<b>Total expenditures</b>	<b>5,308,976</b>	<b>-</b>	<b>271,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>317,779</b>	<b>5,898,641</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,857,787</b>	<b>1,561,058</b>	<b>(256,823)</b>	<b>15,414</b>	<b>-</b>	<b>(305,992)</b>	<b>-</b>	<b>2,871,444</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	1,275,077	-	608,883	-	-	-	219,954	2,103,914
Operating transfers out	(219,954)	(1,558,960)	(325,000)	-	-	-	-	(2,103,914)
Proceeds from bond issuance	-	-	3,085,000	-	-	-	-	3,085,000
Bond discount	-	-	(49,523)	-	-	-	-	(49,523)
Bond issuance costs	-	-	(84,487)	-	-	-	-	(84,487)
Payment to escrow agent from refunding bond proceeds	-	-	(2,970,890)	-	-	-	-	(2,970,890)
Proceeds from sale of land	-	-	-	-	-	-	80,107	80,107
Insurance proceeds	193,787	-	-	-	-	-	-	193,787
Proceeds from capital lease	266,139	-	-	-	-	-	-	266,139
Community disaster loan proceeds	254,241	-	-	-	-	-	-	254,241
<b>Total other financing sources (use)</b>	<b>1,771,290</b>	<b>(1,558,960)</b>	<b>283,883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300,061</b>	<b>796,274</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>3,629,077</b>	<b>2,098</b>	<b>27,060</b>	<b>15,414</b>	<b>-</b>	<b>(5,931)</b>	<b>-</b>	<b>3,667,718</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>(2,069,223)</b>	<b>2,324</b>	<b>55,673</b>	<b>309,012</b>	<b>-</b>	<b>26,106</b>	<b>-</b>	<b>(1,676,108)</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 1,559,854</b>	<b>\$ 4,422</b>	<b>\$ 82,733</b>	<b>\$ 324,426</b>	<b>\$ -</b>	<b>\$ 20,175</b>	<b>\$ -</b>	<b>\$ 1,991,610</b>

See accompanying notes to financial statements.

## CITY OF HARAHAN

Reconciliation of the Governmental Funds' Statement of Revenues,  
Expenditures, and Changes in Fund Balance to the Statement of Activities

For the year ended December 31, 2006

Total net changes in fund balances – governmental funds	\$	3,667,718
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeds capital outlays in the project.

Capital outlays	\$	963,351	
Depreciation expense		(257,395)	705,956

Bond issuance costs are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the term of the bond issue as amortization expense.

Amortization expense - bond issuance costs	\$	<u>(88,881)</u>	(88,881)
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Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of repayments and refunding of bonds payables and capital leases. Bond discount is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the term of the bond issue as amortization expense.

Special Community Disaster Loan proceeds	\$	(254,241)	
Proceeds from capital lease		(266,139)	
Bond principal payments		100,000	
Amortization expense - bond premium		(34,609)	
Capital lease principal payments		<u>97,441</u>	(357,548)

Change in revenue accruals - Under modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues not available for spending are recognized in the current year.

<u>(3,037,951)</u>	(3,037,951)
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Change in accrual basis recognition of interest expenditures

<u>(173,461)</u>	(173,461)
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In the Statement of Activities, certain operating expenses-compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time earned exceeded the amounts used by \$10,063.

<u>(10,063)</u>	(10,063)
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Change in net assets of governmental activities

\$	<u>705,770</u>
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See accompanying notes to financial statements.

**Statement G****CITY OF HARRAHAN****Proprietary Fund  
Statement of Net Assets**

December 31, 2006

	<u>Sewer Fund</u>
<b>ASSETS</b>	
Cash	\$ 4,573
Accounts receivable	<u>44,025</u>
Total current assets	<u>48,598</u>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>	
Property, plant, & equipment, at cost	5,089,931
Less: Accumulated depreciation	<u>(2,252,261)</u>
Property, plant, and equipment, net	<u>2,837,670</u>
Total assets	<u><u>\$ 2,886,268</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts and other payables	\$ 77,734
Loan payable	150,000
Due to other funds	<u>140,000</u>
Total liabilities	<u>367,734</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,687,670
Unrestricted	<u>(169,136)</u>
Total net assets	<u>2,518,534</u>
Total liabilities and net assets	<u><u>\$ 2,886,268</u></u>

See accompanying notes to financial statements.

**Statement H****CITY OF HARAHAH****Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Fund Net Assets**

For the year ended December 31, 2006

	<u>Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Charges for service	<u>\$ 542,315</u>
Total operating revenues	<u>542,315</u>
<b>OPERATING EXPENSES</b>	
Contractual services	379,624
Supplies, maintenance, and repairs	34,806
Depreciation	<u>118,257</u>
Total operating expenses	<u>532,687</u>
Operating gain	<u>9,628</u>
<b>NON-OPERATING REVENUES</b>	
Property tax revenue	158,140
Interest income	<u>3,573</u>
Total non-operating revenues	<u>161,713</u>
<b>CHANGES IN NET ASSETS</b>	171,341
<b>NET ASSETS:</b>	
BEGINNING OF YEAR	<u>2,347,193</u>
END OF YEAR	<u><u>\$ 2,518,534</u></u>

See accompanying notes to financial statements.

**Statement I****CITY OF HARAHAH****Proprietary Fund  
Statement of Cash Flows**

For the year ended December 31, 2006

	<u>Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 542,315
Cash paid to suppliers of goods or services	<u>(575,586)</u>
Net cash used in operating activities	<u>(33,271)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payment on loan	(100,000)
Taxes received	<u>137,836</u>
Net cash provided by capital and related financing activities	<u>37,836</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property, plant, & equipment	(51,925)
Investment income	<u>3,573</u>
Net cash used by investing activities	<u>(48,352)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(43,787)
<b>CASH AND CASH EQUIVALENTS:</b>	
<b>BEGINNING OF YEAR</b>	<u>48,360</u>
<b>END OF YEAR</b>	<u><u>\$ 4,573</u></u>
<b>RECONCILIATION OF OPERATING GAIN TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating gain	\$ 9,628
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	118,257
Decrease in accounts payable and accrued expenses	<u>(161,156)</u>
Net cash used in operating activities	<u><u>(33,271)</u></u>

See accompanying notes to financial statements.

# **CITY OF HARRAHAN, LOUISIANA**

## **Notes to Financial Statements**

December 31, 2006

### **(1) Summary of Significant Accounting Policies**

The City of Harahan, Louisiana (the City) was incorporated under the provisions of the State of Louisiana Lawrason Act in 1920 as a village with a population then of 500 people and an area of 2.1 square miles. It was classified as a city in 1953 with a population of over 10,000 people. The City's current population is approximately 9,900 people.

The City's financial statements include the accounts of all City operations. The City's operations include police and fire protection, waste collection, parks, recreation, public works and general administrative services. In addition, the City owns and operates a local sewer system.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

#### **(a) Reporting Entity**

The City's financial statements include operations of all activities over which the City exercises oversight responsibility. Oversight responsibility is demonstrated through financial interdependency, selection of governing authority, ability to significantly influence operations, and accountability for fiscal matters and, as such, the City is a reporting entity.

For financial reporting purposes, the City includes all funds and account groups that are controlled by or dependent on the Mayor and the City's Council.

#### **(b) Basis of Presentation**

The accompanying financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### **(c) Fund Accounting**

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the City are classified into two categories: governmental and proprietary. Each category in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follows:

# **CITY OF HARAHAN, LOUISIANA**

## **Notes to Financial Statements**

**December 31, 2006**

### **(1) Summary of Significant Accounting Policies**

#### **(c) Fund Accounting (Continued)**

##### **Governmental Fund Types**

Governmental funds are used to account for the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The measurement focus is based upon the determination of changes in financial position, rather than net income determination. The following are the City's governmental fund types:

**General Fund** - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Fund** - This fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Currently, sales tax proceeds flow through the special revenue fund, first to meet debt service requirements and then to the general fund.

**Debt Service Funds** - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Capital Projects Funds** - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

##### **Proprietary Fund Type**

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is based upon the determination of net income and capital maintenance. The City's sole proprietary fund is Sewerage District No. 1 (the District), an enterprise fund.

**Enterprise Fund** - This fund is used to account for operations of the District where: (a) it is financed and operated in a manner similar to a private business enterprise, and (b) the periodic determination of net income is appropriate.

#### **(d) Basis of Accounting/Measurement focus**

##### **Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. The Statement of Net Assets and the Statement of Activities were prepared using the economic resources management focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from the exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Non-Exchange Transactions".

# **CITY OF HARAHAN, LOUISIANA**

## **Notes to Financial Statements**

**December 31, 2006**

### **(1) Summary of Significant Accounting Policies**

#### **(d) *Basis of Accounting/Measurement focus (Continued)***

Program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions; program revenues reduce the cost of the function to be financed from the City's general revenues. Charges for services consist primarily of licenses, franchise fees, and sanitation services. Operating grants and contributions primarily consists of grants/taxes for the operation of the police and fire departments. Capital grants and contributions primarily consist of funding from the State for police equipment and playground equipment.

#### **Fund Financial Statements (FFS)**

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported as a separate column. The major funds reported are the General Fund, Sales Tax fund, Debt Sinking Fund, and the Debt Reserve Fund. Non-major funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing resources) and decreases (expenditures and other financing uses) in net current assets.

Specifically, governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized as a liability when incurred. Principal and interest on general long-term debt is recognized when due.

Property taxes are recognized as revenue in the year for which taxes have been levied and collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The City's proprietary fund, the District, is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Based on historical collection experience, no allowance for estimated uncollectible receivables is recorded.

# **CITY OF HARRAHAN, LOUISIANA**

## **Notes to Financial Statements**

**December 31, 2006**

### **(1) Summary of Significant Accounting Policies**

#### **(d) Basis of Accounting/Measurement focus (Continued)**

The City's proprietary fund applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

#### **(e) Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded, is employed by the General Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. As materials are subsequently received and construction contracts are executed, liabilities are recorded and the related encumbrances are liquidated.

#### **(f) Cash**

Cash includes amounts on hand and on deposit at financial institutions.

#### **(g) Capital Assets**

Land, building and improvements, furniture and equipment are recorded as expenditures in the governmental or business-type activities columns in the government wide financial statements. Capital assets are recorded at historical cost or estimated historical cost, if actual historical cost is not available. Donated assets are valued at their estimated market value on the date of donation. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000. GASB 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, and traffic signals. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The City is reporting infrastructure assets on a prospective basis.

The cost of normal maintenance and repairs that do not add to the value for the asset or materially extend asset lives are not capitalized. Improvements are capitalized over the remaining useful lives of the assets.

Capital assets are depreciated over their estimated useful lives. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimate useful lives.

Building and improvements	10-39 years
Computer equipment	5 years
Furniture and fixtures	7-10 years
Other equipment	5-15 years
Transportation equipment	5-10 years
Infrastructure	25 years

# **CITY OF HARAHAN, LOUISIANA**

## **Notes to Financial Statements**

December 31, 2006

### **(1) Summary of Significant Accounting Policies (Continued)**

#### **(h) Property, Plant and Equipment - Proprietary Fund**

Property, plant and equipment used by the proprietary fund is stated at cost. Contributed assets are recorded at fair market value at the time received. Net interest costs are capitalized on projects during the construction period. Depreciation is provided using the straight-line method over the estimated useful lives.

#### **(i) Accrued Vacation**

The City's policy permits employees to accumulate a limited amount of earned but unused vacation benefits. Benefits are accrued in the period they are earned. An employee has a probationary period of 6 months before any vacation time can be earned. For all employees with 1 year of continuous service, the City allows 1 week of vacation to be earned per year. For employees with between 2 and 5 years of continuous service, the City allows 2 weeks vacation time per year. For employees with 6-10 years of employment, 3 weeks of vacation time per year is earned. For employees with 10 years or more of continuous service, 4 weeks of vacation pay is earned per year. Earned vacation time may be carried forward, not to exceed 90 days of earned vacation time. Accrued vacation pay is recorded as expenditure in the general fund when paid.

At December 31, 2006, employees of the City have accumulated and vested \$229,326 of compensated absence benefits. Of this portion \$129,638 is the current portion and is expected to be paid in 2007.

#### **(j) Fund Equity**

Reserved fund balance and retained earnings indicate that a portion of fund equity legally is segregated for specific purposes. Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

#### **(k) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

### **(2) Budgetary Procedures and Budgetary Accounting**

The City's procedures in establishing the budgetary data included in the general purpose financial statements are as follows:

- (1) Prior to December 1, the Mayor submits to the City's Council a proposed operating line item budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

# **CITY OF HARAHAN, LOUISIANA**

## **Notes to Financial Statements**

**December 31, 2006**

### **(2) Budgetary Procedures and Budgetary Accounting (Continued)**

- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to January 1, the budget is legally adopted through passage of an appropriation ordinance by the Council.
- (4) The City Council must approve transfers of budgeted amounts between line items within a department and any revisions that alter the total expenditures of any fund or department.
- (5) Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Project-length financial plans are adopted for the Capital Project Funds and are used as an expenditure control device.
- (6) The budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). All unencumbered and unexpended appropriations lapse at year end.
- (7) As required by state law, when actual revenues within a fund are failing to meet estimated annual budgeted revenue by five percent or more, and/or actual expenditures within a fund are exceeding estimated budgeted expenditures by five percent or more, a budget amendment to reflect such changes is adopted in an open meeting.

### **(3) Cash**

At December 31, 2006, the City has \$3,373,494 in demand deposits at two local banks.

The bank balances and collateralization for deposit at December 31, 2006 are as follows:

Total bank balances	\$ <u>3,373,494</u>
Federal deposit insurance	100,000
Pledged securities	<u>5,574,566</u>
Total collateral	\$ <u>5,674,566</u>
Collateral – excess	\$ <u>2,301,072</u>

Collateral investments are held in the name of the City by its agent and are classified as Category 1 investments under GASB 3 requirements. Louisiana Revised Statutes authorize the City to invest in United States bonds, treasury notes, certificates or other obligations of the United States of America, or time certificates of deposit of state banks organized under Louisiana laws and national banks having principal offices in the State.

# CITY OF HARAHAN, LOUISIANA

## Notes to Financial Statements

December 31, 2006

### (4) Property Tax

Property taxes on real and personal property are levied by the City as an enforceable lien on the property as of January 1; the taxes are payable on December 1, and are delinquent on January 1.

The assessed value of the property is determined by the Jefferson City assessor's office. The assessed value at January 1, 2006, upon which the 2006 levies were based, was \$64,647,215. The combined 2006 tax rate was \$15.81 per \$1,000 of assessed valuation. Of this amount, \$13.15 was available for general operations and \$2.66 was available for sewerage operations and maintenance.

### (5) Accounts Receivable

Accounts receivable at December 31, 2006 consisted of the following:

Federal Emergency Management Agency	\$	348,563
Sales and use taxes		249,059
Franchise fees		114,564
Video poker		17,140
Sanitation services		71,941
Other		<u>46,896</u>
Total accounts receivable	\$	<u>848,163</u>

### (6) Property, Plant and Equipment

A summary of changes in general fixed assets is as follows:

	January 1, 2006	Additions	Deletions	December 31, 2006
Land, land improvement and buildings	\$ 1,635,932	\$ 165,462	\$ -	\$ 1,801,394
Infrastructure assets	-	224,471	-	224,471
Transportation equipment	1,470,938	373,425	(45,800)	1,798,563
Other equipment	869,613	190,390	-	1,060,003
Furniture and fixtures	29,908	2,674	-	32,582
Computer equipment	<u>113,284</u>	<u>6,929</u>	<u>-</u>	<u>120,213</u>
Total asset cost	4,119,675	963,351	(45,800)	5,037,226
Less: Accumulated depreciation	<u>(2,843,026)</u>	<u>(257,395)</u>	<u>45,800</u>	<u>(3,054,621)</u>
Net assets	\$ <u>1,276,649</u>	\$ <u>705,956</u>	\$ <u>-</u>	\$ <u>1,982,605</u>

# CITY OF HARRAHAN, LOUISIANA

## Notes to Financial Statements

December 31, 2006

### (6) Property, Plant and Equipment (Continued)

A summary of changes in proprietary fund type property, plant and equipment is as follows:

	January 1, 2006	Additions	Deletions	December 31, 2006
Land	\$ 7,121	\$ -	\$ -	\$ 7,121
Rights of way	6,606	-	-	6,606
Sewerage collection system	3,858,719	-	-	3,858,719
Sewerage treatment plant	1,139,330	51,925	-	1,191,255
Vehicles	26,230	-	-	26,230
Total asset cost	5,038,006	51,925	-	5,089,931
Less: Accumulated depreciation	(2,134,004)	(118,257)	-	(2,252,261)
Net assets	\$ 2,904,002	\$ (66,332)	\$ -	\$ 2,837,670

Proprietary fund type fixed assets are depreciated using the following useful lives: Sewer collection system - 20-75 years; Sewer treatment plant - 10-50 years; and vehicles - 5 years.

### (7) Changes in Long-term Obligations

A summary of changes in long-term obligations are as follows for the year ended December 31, 2006:

	Governmental Funds				Enterprise Fund	
	Sales Tax Bonds	Special Community Disaster Loan	Capital Leases	Compensated Absences	Loan Payable	Total
January 1	\$ 3,260,000	\$ 445,759	\$ 340,071	\$ 219,264	\$ 250,000	\$ 4,515,094
Additions	3,085,000	254,241	484,054	10,063	-	3,833,358
Reductions	(2,925,000)	-	(315,356)	-	(100,000)	(3,337,951)
December 31	\$ 3,420,000	\$ 700,000	\$ 508,769	\$ 229,327	\$ 150,000	\$ 5,010,501
Due within one year	\$ 15,000	\$ -	\$ 89,024	\$ 129,638	\$ 50,000	\$ 283,662

# CITY OF HARAHAN, LOUISIANA

## Notes to Financial Statements

December 31, 2006

### (7) Changes in Long-term Obligations

#### a) Sales Tax Bonds

Sales tax refunding and improvement bonds, payable at December 31, 2006, are the following:

\$3,085,000 2006 Sales Tax Refunding and Public Improvement Bonds due in monthly installments ranging from \$15,000 to \$270,000 including interest through June 1, 2024, at 4.25% - 4.60%	\$ 3,085,000
\$3,750,000 1999 Sales Tax Refunding and Public Improvement Bonds due in monthly installments ranging from \$105,000 to \$120,000 including interest through June 1, 2009, at 5.00% - 5.20%	\$ 335,000
Total	<u>\$ 3,420,000</u>

During the year ending December 31, 2006, new debt was issued and the proceeds were used for the purpose of defeasing and refunding the callable maturities of the Issuer's outstanding Refunding and Public Improvement Bonds, Series 1999 and paying the costs of issuance. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the City. As of December 31, 2006, the \$3,750,000 1999 Sales Tax Refunding and Public Improvement Bonds which were defeased during the year ending 2006 have an outstanding balance of \$2,825,000.

The annual requirements to amortize all debt outstanding as of December 31, 2006, including interest payments of \$1,553,548 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
July 15,			
2007	\$ 120,000	\$ 150,206	\$ 270,206
2008	130,000	144,033	274,033
2009	140,000	137,257	277,257
2010	150,000	130,525	280,525
2011	155,000	124,044	279,044
2012-2016	875,000	512,541	1,387,541
2017-2021	1,075,000	300,634	1,375,634
2022-2024	775,000	54,308	829,308
	<u>\$ 3,420,000</u>	<u>\$ 1,553,548</u>	<u>\$ 4,973,548</u>

# CITY OF HARRAHAN, LOUISIANA

## Notes to Financial Statements

December 31, 2006

### (7) Changes in Long-term Obligations (continued)

#### a) Sales Tax Bonds

The City is in compliance with the debt covenants at December 31, 2006 and 2005.

The City is subject to the Municipal Finance Law of the State of Louisiana, which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the City may have outstanding to 10 percent of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of December 31, 2005 is \$6,464,722.

#### b) Capital Lease

During 2005, the City entered into a capital lease to refinance the existing fire truck lease and purchase additional vehicles and equipment for the fire department. Included in public safety-fire expenditures are principal payments of \$55,467 interest payments of \$18,951 that were paid during 2006. This capital lease is secured by a security interest in the fire vehicles and equipment purchased.

Lease terms, at an interest rate of 5.39%, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>July 15,</u>			
2007	\$ 49,675	\$ 24,743	\$ 74,418
2008	52,352	22,066	74,418
2009	55,174	19,244	74,418
2010	58,148	16,270	74,418
2011	50,839	13,136	63,975
2012-2016	<u>113,457</u>	<u>9,961</u>	<u>123,418</u>
	<u>\$ 379,645</u>	<u>\$ 105,420</u>	<u>\$ 485,065</u>

Included in transportation equipment and other equipment is \$686,257 for the fire truck, fire vehicles, and fire equipment subject to the capital lease. The accumulated depreciation of the equipment was \$341,973 and \$261,582 at December 31, 2006 and 2005, respectively.

During 2005, the City entered into a capital lease for the purchase of a five police vehicles with principal payments beginning in October 2005. For the years ended December 31, 2006 and 2005, included in capital outlay expenditures are principal payments of \$18,316 and \$22,221 and interest payments of \$3,905 and zero. Interest is due annually with each lease payment. This capital lease is secured by a security interest in the police vehicles.

# CITY OF HARAHAN, LOUISIANA

## Notes to Financial Statements

December 31, 2006

### (7) Changes in Long-term Obligations

#### b) Capital lease (Continued)

Lease terms, at an interest rate of 4.95%, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>October 25,</u>			
2007	\$ 19,223	\$ 2,998	\$ 22,221
2008	20,174	2,047	22,221
2009	21,173	1,048	22,221
	<u>\$ 60,570</u>	<u>\$ 6,093</u>	<u>\$ 66,663</u>

Included in transportation equipment is \$101,137 for the police vehicles subject to the capital lease. The accumulated depreciation of the equipment was \$23,598 and \$3,371 at December 31, 2006 and 2005.

During 2005, the City entered into a capital lease for the purchase of a backhoe with principal payments beginning in June 2005. For the years ended December 31, 2006 and 2005, included in general government-other expenditures are principal payments of \$9,019 and \$6,347 and interest payments of \$1,861 and \$1,088 that were paid during 2005. This capital lease is secured by a security interest in the backhoe.

Lease terms, at an interest rate of 4.75%, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>December 31,</u>			
2007	\$ 9,457	\$ 1,423	\$ 10,880
2008	9,916	964	10,880
2009	10,398	482	10,880
2010	4,480	53	4,533
	<u>\$ 34,251</u>	<u>\$ 2,922</u>	<u>\$ 37,173</u>

Included in other equipment is \$48,500 for the backhoe subject to the capital lease. The accumulated depreciation of the equipment was \$15,358 and \$5,658 at December 31, 2006 and 2005.

During 2006, the City entered into a capital lease for the purchase of two vehicles with principal payments beginning in July 2006. For the years ended December 31, 2006, included in general government-other expenditures are principal payments of \$12,236 and interest payments of \$835 that were paid during 2006. This capital lease is secured by a security interest in the vehicles.

# CITY OF HARRAHAN, LOUISIANA

## Notes to Financial Statements

December 31, 2006

### (7) Changes in Long-term Obligations

#### b) Capital lease (Continued)

Lease terms, at an interest rate of 6.39%, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>December 31,</u>			
2007	\$ 10,670	\$ 2,401	\$ 13,071
2008	11,417	1,654	13,071
2009	12,215	855	13,070
	<u>\$ 34,302</u>	<u>\$ 4,910</u>	<u>\$ 39,212</u>

Included in Transportation equipment is \$52,284 for the two vehicles subject to the capital lease. The accumulated depreciation of the equipment was \$5,228 at December 31, 2006.

#### c) Enterprise Fund Loan Payable

During 2000, the City entered into a long-term agreement with the management company administering the Sewer Fund to provide for capital and maintenance improvements. In return, the City committed the Sewer Fund to repay a maximum of \$500,000 to the management company without any stated interest. Construction services provided as of December 31, 2004 totaled \$500,000. No principal payments were made during the year ended December 31, 2005 due to Hurricane Katrina. As of December 31, 2006, the total payments due under this agreement, including imputed interest, were \$150,000, payable in installments of \$50,000 annually through 2009. Two payments of \$50,000 each were paid during the year 2006.

#### d) Special Community Disaster Loan Payable

During December 2005, the City entered into a long-term agreement with the Federal Emergency Management Agency under the Community Disaster Loan Act of 2005 as a result of the major disaster declaration of August 29, 2005 for Hurricane Katrina. The City has drawn down \$254,241 and \$445,759 during the years ended December 31, 2006 and 2005. Of the \$965,525 total funds available, the balance is \$700,000 and \$445,759 as of December 31, 2006 and 2005. The loan is for a term of five years, which may be extended, at an interest rate of 2.69%. Simple interest accrues from the date of each disbursement. Payments of principal and interest are deferred until the end of the five year period.

### (8) Equity

Designated Fund Balance - Capital Projects - This amount has been designated for future capital improvements.

# CITY OF HARRAHAN, LOUISIANA

## Notes to Financial Statements

December 31, 2006

### (9) Interfund Balances

Individual fund interfund receivable and payable balances as of December 31, 2006 were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 758,911	\$ -
Sales tax fund	-	71,829
Bond sinking fund	-	374,999
Bond reserve fund	-	573
Capital projects fund	-	171,510
Enterprise fund - sewerage district	-	140,000
	<u>\$ 758,911</u>	<u>\$ 758,911</u>

Interfund transfers for the year ended December 31, 2006 were as follows:

	<u>Transfers in</u>	<u>Transfers Out</u>
General fund	\$ 1,275,077	\$ 219,954
Sales tax fund	-	1,558,960
Bond sinking fund	608,883	325,000
Capital projects fund	219,954	-
	<u>\$ 2,103,914</u>	<u>\$ 2,103,914</u>

### (10) Pension Plans

#### a.) Municipal Police Employees' Retirement Plan

##### Plan Description

For police personnel, the City contributes to the Municipal Police Employee' Retirement Plan, a cost sharing multi-employer defined benefit plan administered by the Municipal Police Employees' Retirement System (MPERS). MPERS provides retirement, death, and disability benefits to plan members and beneficiaries in accordance with state statutes. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-7601.

## **CITY OF HARRAHAN, LOUISIANA**

### **Notes to Financial Statements**

**December 31, 2006**

#### **(10) Pension Plans**

##### **a.) Municipal Police Employees' Retirement Plan (Continued)**

###### **Funding Policy**

Plan members are required to contribute 7.5% of their annual covered salary and the City is required to contribute 20.25%. Effective July 1, 2005, the City was required to contribute 16.25%. The contribution requirements of the plan members and the City are established and may be amended by the MPERS Board of Trustees in accordance with state statute. The City's contribution for the years ended December 31, 2006, 2005, and 2004 were \$74,668, \$72,934, and \$107,317, respectively, equal to the required contributions for each year.

##### **b.) Louisiana Firefighters' Retirement Plan**

###### **Plan Description**

For firefighting personnel, the City contributes to the Louisiana Firefighters' Retirement Plan, a cost sharing multiple employer defined benefit plan administered by the Louisiana Firefighters' Retirement System (LFRS). LFRS provides retirement, death, and disability benefits in accordance with state statutes. LFRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to Louisiana Fire Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana, 70809.

###### **Funding Policy**

Plan members are required to contribute 8.0% of their annual salary and the City is required to contribute 24%. Effective July 1, 2005, the City was required to contribute 18%. The contribution requirements of the plan members and the City are established and may be amended by LFRS Board of Trustees in accordance with state statute. The City's contributions for the years ended December 31, 2006, 2005, and 2004 were \$42,746, \$44,907, and \$46,091, respectively, equal to the required contributions for each year.

Other City employees are not covered by a pension plan.

#### **(11) Contingencies**

The City is a defendant in several lawsuits. Damages are generally covered by insurance less deductible for risks retained by the City. The City does not expect any material adverse impact relating to these suits in excess of amounts currently accrued.

## **CITY OF HARRAHAN, LOUISIANA**

### **Notes to Financial Statements**

**December 31, 2006**

#### **(12) Notes Payable**

The City issued \$795,850 of Revenue Anticipation Notes, Series 2005, in November 2005 with an interest rate of 3.65%. The notes were repaid in full in March 2006.

#### **(13) Natural Disaster**

On August 29, 2005, Hurricane Katrina, a major hurricane, struck southeastern Louisiana and the Mississippi and Alabama Gulf Coast. During the year ended December 31, 2006 and 2005, the City incurred expenses of \$485,440 and \$4,773,449 and property losses of \$0 and \$39,315 (\$25,972 in governmental activities and \$13,343 in business-type activities), which the City recovered from its insurance carrier and through the Federal Emergency Management Agency (FEMA).

Insurance proceeds of \$75,091 and \$300,000 were collected in 2006 and 2005, respectively. Receivables at December 31, 2005 include \$75,091 in insurance receivables. In addition to the amounts noted above, the City may recover additional insurance proceeds related to property damages; however, an amount cannot be determined at this time. Such additional proceeds will be recorded when the amounts are determinable.

For the year ended December 31, 2006, amounts in general government – FEMA expenditures include \$114,051 of unobligated FEMA grants, which are awaiting final approval and are expected to be reimbursed during 2007.

#### **(14) Subsequent events**

In January 2007, a fire in the police department training center caused damage to the interior structure and contents of the building. The City has received \$119,695 of insurance reimbursements during 2007. All losses except for the \$25,000 insurance deductible are expected to be covered by insurance.

In May 2007, the City issued \$550,000 of Series 2007 Taxable Revenue Bonds at 6.10% payable in annual principal payments through March 2017. The proceeds from the bond issue were used to fund the purchase of land and building adjacent to City Hall.

## CITY OF HARRAHAN

General Fund  
Budget Comparison Schedule (GAAP Basis)

For the year ended December 31, 2006

	Initial Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem taxes	\$ 869,000	\$ 923,000	\$ 818,307	\$ (104,693)
Intergovernmental	222,000	3,613,244	3,645,106	31,862
Fees, licenses and permits	751,000	751,000	790,670	39,670
Fines and forfeitures	451,000	486,000	744,911	258,911
Charges for services	565,100	567,100	599,169	32,069
Gaming revenue	131,000	131,000	221,790	90,790
Interest income	20,000	40,000	93,367	53,367
Other	41,000	110,424	253,443	143,019
Total revenues	3,050,100	6,621,768	7,166,763	544,995
<b>EXPENDITURES</b>				
General government - FEMA	-	449,989	449,989	-
General government - other	685,556	758,700	835,272	(76,572)
Public safety - police	1,296,442	1,481,274	1,514,401	(33,127)
Public safety - fire	790,307	857,307	812,002	45,305
Public works	180,398	197,498	192,109	5,389
Sanitation	550,000	550,000	644,331	(94,331)
Recreation	182,093	217,093	209,154	7,939
Capital outlay	-	-	651,718	(651,718)
Total expenditures	3,684,796	4,511,861	5,308,976	(797,115)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(634,696)	2,109,907	1,857,787	(252,120)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	800,000	913,600	1,275,077	361,477
Operating transfers out	(280,000)	(280,000)	(219,954)	60,046
Insurance proceeds	-	-	195,787	195,787
Proceeds from capital lease	-	-	266,139	266,139
Community disaster loan proceeds	-	-	254,241	254,241
Total other financing sources (uses)	520,000	633,600	1,771,290	1,137,690
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(114,696)	2,743,507	3,629,077	885,570
<b>FUND BALANCE (DEFICIT):</b>				
BEGINNING OF YEAR	(2,069,223)	(2,069,223)	(2,069,223)	-
END OF YEAR	\$ (2,183,919)	\$ 674,284	\$ 1,559,854	\$ 885,570

See accompanying independent auditors' report.

## CITY OF HARRAHAN

Sales Tax Fund  
Budget Comparison Schedule (GAAP Basis)

For the year ended December 31, 2006

	Initial Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and use tax revenue	\$ 800,000	\$ 913,600	\$ 1,558,738	\$ 645,138
Interest income	-	-	2,320	2,320
Total revenues	800,000	913,600	1,561,058	647,458
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	800,000	913,600	1,561,058	647,458
<b>OTHER FINANCING USES</b>				
Operating transfers out	(800,000)	(913,600)	(1,558,960)	645,360
Total other financing uses	(800,000)	(913,600)	(1,558,960)	645,360
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	-	2,098	2,098
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	2,324	2,324	2,324	-
END OF YEAR	\$ 2,324	\$ 2,324	\$ 4,422	\$ 2,098

See accompanying independent auditors' report.

## Schedule 3

## CITY OF HARAHAH

Non-Major Governmental Funds  
Combining Balance Sheet - By Fund

December 31, 2006

	<u>Capital Projects</u>	<u>Capital Projects - 1999</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ <u>191,084</u>	\$ <u>601</u>	\$ <u>191,685</u>
Total Assets	\$ <u><u>191,084</u></u>	\$ <u><u>601</u></u>	\$ <u><u>191,685</u></u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Due to other funds	\$ <u>171,510</u>	\$ <u>-</u>	\$ <u>171,510</u>
Total Liabilities	<u>171,510</u>	<u>-</u>	<u>171,510</u>
<b>Equity:</b>			
Fund balances:			
Unreserved - designated	<u>19,574</u>	<u>601</u>	<u>20,175</u>
Total Fund Balance	<u>19,574</u>	<u>601</u>	<u>20,175</u>
Total liabilities and Fund Balance	\$ <u><u>191,084</u></u>	\$ <u><u>601</u></u>	\$ <u><u>191,685</u></u>

See accompanying independent auditors' report.

## Schedule 4

## CITY OF HARRAHAN

Non-Major Governmental Funds  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance

For the year ended December 31, 2006

<b>REVENUES</b>	<b>Capital Projects</b>	<b>Capital Projects</b>	<b>Total</b>
Interest income	\$ 11,758	\$ 29	\$ 11,787
Total Revenues	11,758	29	11,787
<b>EXPENDITURES</b>			
General government	-	-	-
Capital outlay	317,779	-	317,779
Total Expenditures	317,779	-	317,779
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(306,021)	29	(305,992)
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in	219,954	-	219,954
Proceeds from sale of assets	80,107	-	80,107
Total Other Financing Sources	300,061	-	300,061
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	(5,960)	29	(5,931)
<b>FUND BALANCES:</b>			
BEGINNING OF YEAR	25,534	572	26,106
END OF YEAR	\$ 19,574	\$ 601	\$ 20,175

See accompanying independent auditors' report.

**Schedule 5**

**CITY OF HARRAHAN, LOUISIANA**

**Schedule of Compensation Paid to City Council Members**

**Year ended December 31, 2006**

Scott Blanchard (through August 2006)	\$	4,080
Bryan St Cyr		2,040
Louis Butler (through April 2006)		2,040
Paul Roberts		4,080
Provino Mosca (Mayor Pro Tem January- June 2006)		6,288
Roy Richardson		6,120
Tiffany Wilken (Mayor Pro Tem July- December 2006)		<u>6,288</u>
	\$	<u>30,936</u>

See accompanying independent auditors' report.

**CITY OF HARRAHAN, LOUISIANA**

**Single Audit Reports**

**December 31, 2006**



**Postlethwaite & Netterville**

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**CITY OF HARRAHAN, LOUISIANA**  
**Harahan, Louisiana**

**Single Audit Reports**

**December 31, 2006**

<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>1</b>
<b>Report on Compliance with Requirements Applicable to the Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards</b>	<b>3</b>
<b>Schedule of Expenditures of Federal Awards</b>	<b>5</b>
<b>Notes to Schedule of Expenditures of Federal Awards</b>	<b>6</b>
<b>Schedule of Findings and Questioned Costs</b>	<b>7</b>
<b>Summary Schedule of Prior Audit Findings</b>	<b>10</b>



**Postlethwaite & Netterville**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council  
City of Harahan, Louisiana:

We have audited the financial statements of the governmental entities, the business-type entities, the aggregate discretely City of Harahan, Louisiana, (the City) as of and for the year ended December 31, 2006, and have issued our report thereon dated June 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not to for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or the employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2006-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests discloses instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2006-2 and 2006-3 and 2006-4.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information of the City, the City's management and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Nitterville*

Metairie, Louisiana  
June 29, 2007



**Postlethwaite & Netterville**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Honorable Mayor and City Council  
City of Harahan, Louisiana:

**Compliance**

We have audited the compliance of the City of Harahan, Louisiana, (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of non compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which re described in the accompanying schedule of findings and questioned costs as item 2006-4.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when a design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2006, and have issued our report thereon dated June 29, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the City, the City's management and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Metairie, Louisiana  
June 29, 2007

**CITY OF HARRAHAN, LOUISIANA**  
**Harahan, Louisiana**

**Schedule of Expenditures of Federal Awards**

For the year ended December 31, 2006

<b>Federal Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Homeland Security:</u></b>			
Pass-through Awards:			
Disaster Grants - Public Assistance	97.036	FEMA-LA-DR1603	\$ 449,989
Direct Awards:			
Special Community Disaster Loan	97.030	EMT-2006-LF-1603LA01	<u>254,241</u>
Total Federal Expenditures			<u>\$ 704,230</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**CITY OF HARAHAH, LOUISIANA**  
**Harahan, Louisiana**

**Notes to Schedule of Expenditures of Federal Awards**

**December 31, 2005**

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the City of Harahan, Louisiana, (the City). The City's reporting entity is defined in note 1 to the City's financial statements for the year ended December 31, 2006. All federal awards received from federal agencies are included on the schedule.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the City's financial statements for the year ended December 31, 2006.

**(3) Relationship to Financial Statements**

Federal awards are included in the statement of revenues, expenses, and changes in fund balances of the City as follows:

Operating grants and contributions	\$	348,512
Unobligated FEMA expenditures		101,477
Total federal expenditures	\$	<u>449,989</u>
Community Disaster Loan proceeds	\$	<u>254,241</u>

**(4) Loans Payable to Federal Agency**

The City received a Special Community Disaster Loan (the "Loan") from the federal government in November 2005 in the amount of \$445,759. Additional loan proceeds of \$254,241 were received by the City during the year ended December 31, 2006. The loan payable at December 31, 2006 was \$700,000. The terms of the Loan call for interest to accrue at 2.69% annually and to be repaid with the principal when the Loan becomes due in 2010.

**CITY OF HARRAHAN, LOUISIANA**  
**Harahan, Louisiana**

**Schedule of Findings and Questioned Costs**

**Year ended December 31, 2006**

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the financial statements: unqualified opinion
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: yes; Material weaknesses: yes
- (c) Noncompliance which is material to the financial statements: no
- (d) Reportable conditions in internal control over major programs: no; Material weaknesses: no
- (e) The type of report issued on compliance for major programs: unqualified opinion
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: yes
- (g) Major programs:
  - United States Department of Homeland Security, Federal Emergency Management Agency – Public Assistance Grants - passed through the State of Louisiana (CFDA number 97.036)
  - United States Department of Homeland Security, Federal Emergency Management Agency – Special Community Disaster Loan – Direct award (CFDA number 97.030)
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:**

**Finding 2006-1**

Criteria:	The City should be able to initiate, authorize, record, process or report data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.
Condition:	During the course of our audit procedures, we proposed adjusting entries to the general ledger to properly report in compliance with generally accepted accounting principles
Effect:	Our involvement in the financial reporting process was required in order to report the financial statements in accordance with generally accepted accounting principles.

**CITY OF HARRAHAN, LOUISIANA**  
**Harahan, Louisiana**

**Schedule of Findings and Questioned Costs, Continued**

**Year ended December 31, 2006**

**Finding 2006-1 (continued)**

**Recommendation:** Management should consider an increase in staffing or additional training of the existing accounting staff.

**Management Response:** Management is currently looking to hire a Controller to address this.

**Finding 2006-2 Departmental budgets**

**Criteria:** LSA-RS 39:1311 provides that the adopted budget and duly authorized amendments shall constitute the authority of the political subdivision to incur liabilities and authorized expenditures.

**Condition:** The general government – other and sanitation departments expended amounts in excess of their respective budgets.

**Effect:** The City expended funds not authorized by its legally adopted budget.

**Recommendation:** Budget amendments should be adopted when changed operations or conditions require that expenditure will exceed budget.

**Management Response:** The funds expended in excess of budget were related to additional expenses resulting from Hurricane Katrina that were not reimbursed by the Federal Emergency Management Agency, which could not be accurately budgeted until after year end.

**Finding 2006-3 Public Bid law requirements**

**Criteria:** LSA-RS 2212.1 provides that the purchase of materials and supplies greater than \$20,000 should be advertised and let by contract to the lowest bidder according to specifications.

**Condition:** Police equipment totaling \$22,800 were purchased in June 2006 without advertisement for bid.

**Effect:** The City did not comply with the public bid law.

**Recommendation:** The City should comply with the public bid law provisions

**Management Response:** The City will comply with all applicable provisions of the public bid law on future purchases.

**CITY OF HARRAHAN, LOUISIANA**  
**Harahan, Louisiana**

**Schedule of Findings and Questioned Costs, Continued**

**Year ended December 31, 2006**

**Finding 2006-4 Suspension and Debarment**

<b>Criteria:</b>	In accordance with A-102 Common Rule, contractors receiving individual awards for \$25,000 or more must certify that the organization and its principals are not suspended or debarred.
<b>Condition:</b>	No certifications were obtained from contractors for procurement contracts greater than \$25,000.
<b>Questioned Costs:</b>	Questioned costs, if any, cannot be determined.
<b>Cause:</b>	City personnel were not aware of the requirement.
<b>Effect:</b>	The City is in violation of the provisions of A-102 Common Rule.
<b>Recommendation:</b>	The City should comply with the provisions of A-102 Common Rule.
<b>Management Response:</b>	The City was not aware of the requirement, but will comply with all applicable provisions of A-102 Common Rule for any future contracts.

**CITY OF HARAHAN, LOUISIANA**  
**Harahan, Louisiana**

**Summary Schedule of Prior Audit Findings**

**Finding 2005-1 Departmental Budgets**

**Criteria:** LSA-RS 39:1311 provides that the adopted budget and duly authorized amendments shall constitute the authority of the political subdivision to incur liabilities and authorized expenditures.

**Condition:** The general government – other, public safety – fire, and sanitation departments of the City expended \$117,026, \$60,015, and \$49,003 in excess of their respective budgets.

**Effect:** The City expended funds not authorized by its legally adopted budget.

**Recommendation:** Budget amendments should be adopted when changed operations or conditions require that expenditure will exceed budget.

**Management Response:** The funds expended in excess of budget were related to additional expenses resulting from Hurricane Katrina that were not reimbursed by the Federal Emergency Management Agency, which could not be accurately budgeted until after year end.

**Status:** See current year finding at 2006-2

**Finding 2005-2 Police Overtime**

**Criteria:** All overtime should be approved by the appropriate supervisor to provide adequate segregation of duties.

**Condition:** Police Captains approved their own overtime.

**Effect:** Police Captains could approve overtime that they do not actually work.

**Recommendation:** All police overtime for Captains should be approved by the Chief of Police.

**Management Response:** The Police Chief will approve all timesheets for Captains on an ongoing basis.

**Status:** Resolved. The Police Chief now approves all timesheets for Captains.

**CITY OF HARRAHAN, LOUISIANA**  
**Harahan, Louisiana**

**Summary Schedule of Prior Audit Findings, Continued**

**Finding 2005-3 Suspension and Debarment**

Criteria:	In accordance with A-102 Common Rule, contractors receiving individual awards for \$100,000 or more must certify that the organization and its principals are not suspended or debarred.
Condition:	No certifications were obtained from contractors for procurement contracts greater than \$100,000.
Questioned Costs:	Questioned costs, if any, cannot be determined.
Cause:	City personnel were not aware of the requirement.
Effect:	The City is in violation of the provisions of A-102 Common Rule.
Recommendation:	The City should comply with the provisions of A-102 Common Rule.
Management Response:	The City was not aware of the requirement, but will comply with all applicable provisions of A-102 Common Rule for any future contracts.
Status:	See current year finding at 2006-4.

**Finding 2004-1 Budget Requirement**

Effect:	The City is in violation of the provisions of A-102 Common Rule.
Criteria:	LSA-RS 39:1310 provides that total actual expenditures exceeding the total budgeted expenditures by five percent or more.
Condition:	Total expenditures of \$3,978,753 exceeded the budgeted expenditures of \$3,698,221 by 8%.
Questioned Cost:	None.
Effect:	The City expended funds not authorized by its legally adopted budget.
Recommendation:	Budget amendments should be adopted when changed operations or conditions require that total expenditures will exceed budget.
Status:	The finding is not resolved as the City has a budget compliance finding 2006-2 and 2005-1 for the years ended 2006 and 2005.